



Director of
Central
Intelligence

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ARGENTINA-UK:

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Domestic Developments in the UK

//The government is on a "war-footing," and Prime Minister Thatcher has ordered senior ministers to remain in London over the weekend. Thatcher will be out of the capital but will be on call.//

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//Labor Party spokesmen plan to ask the government a series of questions next week about allegations that the US is passing intelligence information to Argentina. They also will ask about reports that the UK delivered weapons to Argentina as recently as two weeks ago.//

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Comment: //The publicity comments about a "war-footing" are in keeping with London's concern about Argentine naval movements and with Thatcher's comment that Secretary of State Haig's trip to Buenos Aires will be of "decisive" importance.//

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Australian Support

//Australia reportedly is considering a British request to allow Australian naval personnel serving as exchange officers with the Royal Navy to remain aboard British ships that are to sail for the Falklands. According to the press, Australians who had been serving on the initial group of ships sent to the South Atlantic were ordered to remain in the UK.//

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Comment: //The Royal Navy needs the personnel, and London would welcome further evidence of active backing from a major member of the Commonwealth. Australia has already offered strong diplomatic support to the UK and has imposed economic sanctions on Argentina.//

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Forces on the Falklands

//Evacuees from the Falklands confirm that living conditions for Argentine troops on the islands are deteriorating. Soldiers are slaughtering sheep for food and are improvising shelters to stay dry. Some cargo planes are said to be carrying lumber and firewood rather than men and arms to the islands.//

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Comment: //Living conditions may improve over the next week or so but probably will get worse if the British impose a blockade. These problems raise some doubts about the ability of the Argentines to withstand a prolonged siege.//

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Economic Pressure on Argentina

//Argentine Economic Minister Alemann continues to deny that the financial measures against his country will force authorities to change their tough monetarist economic strategy or to impose controls on the financial system. He reportedly believes that the current situation will be short-lived. Individuals continue to withdraw their bank deposits, interest rates have soared, and demands on the central bank to provide relief are growing.//

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Comment: //Argentines have traditionally reacted to uncertain political and economic situations by converting financial assets into dollars and overseas deposits. Although Alemann may be correct that this is a short-term panic, the continued loss of funds will make it increasingly difficult for the central bank not to resort to the printing press, aggravating inflation and signaling a breakdown in the government's economic austerity program.//

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POLAND: Jaruzelski Postpones Meeting With Glemp

//Premier Jaruzelski has postponed a meeting with Archbishop Glemp amid signs of increasing unrest.//

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[redacted] has told a US Embassy officer that the projected meeting has been delayed because the regime is "unable" to respond to the recent proposal by the Church for renewed dialogue. He added that some lower officials of the party had reacted with particular hostility to the Church's initiative.//

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[redacted] also said that Glemp still hopes the proposal will persuade the regime to begin substantive discussions, and noted that the Church senses a growing impatience among the population with the regime's inflexibility. [redacted] is afraid, however, that Jaruzelski's concern for security would prevent a dialogue.//

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Comment: //The prospects for a dialogue will not be helped by the brief work stoppage in Gdansk yesterday. The stoppage, which reportedly involved the two main shipyards and half of the city transit system, may have been staged to protest the coming trial of a popular local Solidarity leader and close deputy of Lech Walesa. There have been reports of similar short stoppages elsewhere and of indications that some young Poles are losing their fear of military rule.//

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//These actions are likely to strengthen Jaruzelski's belief that the authorities cannot appear to be yielding to pressure from the Church or from the workers in the street. Any increased defiance will be met with force and the reimposition of tougher martial law restrictions.//

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IRAQ-SYRIA: Countering Pressure From Damascus

Baghdad is turning to its Arab allies for new support following Syria's closure of its border with Iraq and the oil pipeline carrying Iraqi crude. [REDACTED]

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An Iraqi official announced yesterday that delegations would soon visit Arab countries to discuss the question of confronting the Damascus regime and the suspension of Arab aid to Syria. [REDACTED]

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Comment: The Iraqis will attempt to isolate the Syrians and to put more diplomatic pressure on them. They also will seek more aid from the Arab states in the Persian Gulf region. [REDACTED]

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The Persian Gulf states could threaten to suspend their subsidy payments to Syria, which currently amount to \$1.2 billion a year. Rather than risk driving Syria closer to Iran, however, Saudi Arabia could offer President Assad inducements to back away from Tehran. [REDACTED]

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Riyadh might match the value of Syria's recent oil deal with Iran--approximately \$1.9 billion annually. The doubling of the Persian Gulf states' current aid to Syria would cost them less than making up the \$6 billion a year Iraq stands to lose if the pipeline remains closed. [REDACTED]

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NICARAGUA: State of Emergency Extended

The government extended the state of emergency on Wednesday for an additional 30 days, citing the recent US veto in the UN Security Council as evidence of US plans to undermine stability in Nicaragua.

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In continuing its suspension of most civil liberties, the regime also blamed US economic pressures, the existence of counterrevolutionary camps in Florida and Honduras, and increasing armed incursions into Nicaragua. The Sandinistas insist that they would prefer to end the state of emergency but that this cannot be done until there is a clear suspension of hostile actions by the US.

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The regime is using the state of emergency to strengthen its network of neighborhood defense committees and the militia as instruments of social control and regimentation. The neighborhood committees have been assigned responsibility for instructing citizens in civil defense and emergency procedures. In the event of an attack, they will direct local militia units that are not mobilized by the Army.

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During the last month, militia recruitment drives have been aimed at all segments of the population. Most government employees, including those who had resisted previous recruitment, have been enrolled. Emergency travel restrictions have been eased somewhat, but a letter of endorsement from the neighborhood defense committee is needed to obtain a passport.

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Comment: Many opposition militants have been arrested on unspecified security grounds, and opposition groups probably will continue to be the principal casualties of the state of emergency. Businessmen are discouraged by recent economic decrees that allow the regime to control commerce and production and impose "war taxes." The press is being censored and independent radio news broadcasts are banned.

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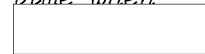
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NETHERLANDS-US: Queen's Visit

//Queen Beatrix's visit to Washington comes at a time when increasing tensions are marring bilateral relations.//



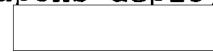
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Comment: //The visit emphasizes the appreciation of fundamental democratic values shared by both countries and their mutual commitment to the defense of Western interests, but strains in bilateral relations are more evident now than at any time in the past. Many Dutch officials fear that the close relationship evolved during and after World War II is weakening. They have fundamentally different views from the US on the Soviet and Communist threats and on the responsibility of industrialized nations toward developing countries.//



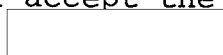
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//The Netherlands almost certainly will become an increasingly independent and critical ally. Recent points of friction include the Soviet gas pipeline, US interest rates, and Spanish entry into NATO, but the strongest disagreements are over nuclear weapons deployment and developments in Central America.//



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//Dutch views on the value of nuclear deterrence are likely to be increasingly different from those of the US. Despite some recent encouraging signs, prospects that the Dutch will accept the basing of cruise missiles remain bleak.//



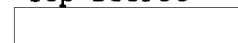
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//Tensions between Washington and The Hague over Central America have been heightened recently by the killing of the four Dutch journalists in El Salvador last month and by Dutch resentment that the US has not been as helpful as desired in investigating the incident. Growing displeasure with the direction of US policy toward developing countries, and particularly toward Central America, however, stems from a more basic conclusion that the US policy is based on incorrect assessments of Communist influence and the dangers it entails.//



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NATO - CENTRAL AMERICA: Allies' Attitudes

//Most Allied representatives at the NATO Council meeting this week argued that the election in El Salvador would have little or no positive effect on the situation there. Even the British and Canadians, who praised the election in principle, were disturbed by its results. Most Allies warned against a rightist government and claimed that a political settlement including leftist groups would be necessary to end the conflict. They also encouraged the US to reduce the level of tension with Nicaragua and begin a dialogue with the Sandinistas.//

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Comment: //The discussion was the first on Central America among NATO representatives since the election. The Allies' remarks indicate that NATO governments generally share the attitudes about Central America displayed earlier by most major West European political parties regarding the need for a general political solution.//

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SPECIAL ANALYSES

USSR: Potential Challenges to Brezhnev

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President Brezhnev's undisguised advancement of his protege, Konstantin Chernenko, his poor health, and the antagonism of powerful Politburo members toward his protege all leave Brezhnev more vulnerable than he has been in many years. Whether his colleagues attempt to remove him depends on his physical ability in his remaining time, their confidence they can block Chernenko after Brezhnev dies, and most importantly, their assessment of the chances of a successful move against the General Secretaru. It is unlikely they have made a decision to move as yet.

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//Brezhnev's promotion of Chernenko could prove to be a liability. Many Politburo members

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do not want Chernenko to succeed Brezhnev. Chernenko has no background in economic management, limited experience in foreign affairs, and some of his views are out of the mainstream of Politburo opinion.//

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//Chernenko has urged greater investment in the consumer sector and advocated increased responsiveness to public opinion. The military may be opposed to positions that he has taken on national security issues.//

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Chernenko's Prospects

Leaders opposing Chernenko probably believe that time is on his side. The death of party secretary Suslov and the political decline and illness of Kirilenko have vaulted Chernenko into the position of party second secretary.

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Chernenko has begun to take advantage of the opportunities this position affords him to move his supporters into important positions. At the next plenary meeting

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of the Central Committee, which reportedly is scheduled for late May, more personnel changes--perhaps including Kirilenko's replacement--probably will occur. [redacted]

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The longer Brezhnev stays in office, the greater are Chernenko's chances of building the personal base of political support in the party that he has lacked. This would pose an obvious threat to other contenders, and make them more disposed to consider risky actions. [redacted]

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Brezhnev's poor health, moreover, may give rivals a greater opportunity--and perhaps a greater incentive--to maneuver against both Brezhnev and Chernenko. Although the Soviet system has worked smoothly during Brezhnev's past illnesses, and will continue to do so with regard to foreign policy, the other leaders may now believe that his health is seriously impairing his performance. Such a perception could lead to pressure for change at the top. [redacted]

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Criticism of Brezhnev

In recent months Brezhnev and his policies appear to have become targets of indirect and cautious criticism. Unflattering rumors about the President's children have circulated in Moscow, possibly with the backing of some KGB officials. [redacted]

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An article in an issue of a Leningrad journal devoted to Brezhnev's 75th birthday ridiculed the age and frailty of an unnamed writer who may have been intended to symbolize Brezhnev, and an article in *Pravda* implicitly criticized some of Brezhnev's economic policies that Kirilenko evidently opposes. In addition, Chief of Staff Ogarkov has indirectly criticized Brezhnev's defense policies. [redacted]

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Most importantly, there are signs of political maneuvering in the KGB. Brezhnev and most other Politburo members recently defied protocol by failing to sign an obituary of the KGB's First Deputy Chairman, one of Brezhnev's former proteges, who may have been at odds with the President over investigations into a corruption scandal involving Brezhnev's son. [redacted]

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Brezhnev took the unusual step of filling this vacancy with two close associates. The KGB has not had two first deputy chairmen in over a decade, and the appointments suggest that he needed to strengthen his control over the KGB. [redacted]

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Rumors circulating in Moscow indicate that KGB Chairman Andropov may be angling for a transfer back to the powerful secretariat, where he served for five years in the 1960s. This move would improve his position as a succession contender. [redacted]

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//Any plot against Brezhnev would have to be led by his senior colleagues in the Politburo. The support or acquiescence of the KGB, however, probably would be essential to the success of any conspiracy, because the KGB [redacted] probably could inform Brezhnev about any plot against him. The loyalty of the KGB to Khrushchev in 1957, and its abandonment of him in 1964, were crucial to the outcome of the conspiracies against him in those years.// [redacted]

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Brezhnev's Defenses

There are powerful deterrents to coup plotting against Brezhnev. He and Chernenko control the key Central Committee secretariat, and through it oversee the security services and the military. This advantage, combined with the presence of Brezhnev's support in the KGB, would make it difficult to conceal a plot against Brezhnev. [redacted]

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In addition, many officials have a vested interest in supporting Brezhnev's position. If Brezhnev received word of a move against him, he could probably prevent his ouster by appealing--as Khrushchev did in 1957--to the full Central Committee. His institutional position and personal ties there would assure him substantial support. [redacted]

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The consequences of failure could be the most important restraining factor. An unsuccessful bid to oust Brezhnev would result in political disgrace and removal from office of those involved. [redacted]

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UK-ARGENTINA: The Stakes for Thatcher

//Prime Minister Thatcher has staked her political survival on a successful resolution of the Falklands crisis. A clear diplomatic or military success could give Thatcher secure command of the Conservative Party and would strengthen her standing in opinion polls. Defeat or a lengthy stalemate would oblige her to resign and force the departure of ministers associated with the failure. A different Conservative Prime Minister probably would be less able--and perhaps less willing--to continue the strong support for US policy that Thatcher has provided.//

//The Prime Minister has carefully cultivated her reputation for toughness, and her response to the current crisis has for the time being reinforced her image of decisiveness. Any apparent weakening, however, would destroy her credibility with the Tory rank and file and with the voters.//

//The Tories' traditional claim to be the party best able to strengthen the UK's defenses and to protect the nation's honor against foreign challenge is a major electoral asset. When Thatcher entered office in 1979 she committed herself to strengthening the UK's nuclear and conventional defenses, even if this required spending a higher percentage of GNP on the military.//

//Before the crisis, economic difficulties had forced the government to reexamine its defense priorities, and Defense Secretary Nott--Thatcher's personal choice to hold down defense spending--had proposed reductions that were confined almost entirely to the UK's conventional forces. Conservative backbenchers were uneasy, and the Argentine invasion has compelled Thatcher to prove that her defense policy, particularly the purchase of the Trident missile, has not seriously weakened conventional power.//

Room for Maneuver

//The Falklands dispute challenges the Prime Minister's deepest personal and political convictions. Any weakening in her resolve to insist on Argentine withdrawal and

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restoration of some form of British administration would risk defections from the Tory right, her main base of support in the party. At the same time, Thatcher has to be careful to avoid charges that she is acting rashly.//

//Thatcher still has some room for maneuver. Francis Pym's appointment as Foreign Secretary has helped steady the Tories, and the opposition parties are also supporting her strategy of cooperating with the mediation effort while preparing to use force if no acceptable solution is possible.//

//For the time being, the economic costs of sanctions and military preparations appear tolerable. British trade and financial losses from sanctions are small, and the initial cost of sending the task force will be largely incremental to normal operating expenditures.//

//Even a lengthy military confrontation, with or without fighting, probably would be manageable in itself. Many bankers worry, however, that prolonged sanctions against Argentina could threaten confidence in London's position as an international financial center.//

Alternatives for Thatcher

//A successful settlement of the crisis would at least preserve Thatcher's position, although the cost of the operation and the apparent unpreparedness of the government will be questioned. Success also could re-enforce Thatcher's reputation as a strong leader, raise Tory morale and national self-esteem, and perhaps prompt a quick election.//

//A resounding success would be likely to strengthen Thatcher's willingness to join US efforts to promote security in regions outside the NATO area. Although the government almost certainly would be forced to cancel many planned cuts in conventional forces, the Trident program probably could be saved for the duration of the Thatcher government.//

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//A failure--including a diplomatic solution that is recognized as a thinly disguised surrender, a military setback, or inability to bring about a conclusion to the crisis within about two months--would provoke a Tory revolt and destroy the current parliamentary consensus. Conservatives have traditionally shown little tolerance for leaders who "fail" to protect British honor, and a perception of defeat would force Thatcher's resignation.//

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//If Thatcher leaves office, a general election could follow. Tory leaders anxious to retain office, however, would be more likely to urge the resignations of Thatcher, Nott, and other "guilty" leaders in an effort to confine the blame to them and to shield the party. The Conservatives have a long history of resorting to this strategy.//

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Picking Up the Pieces

//Foreign Secretary Pym remains the frontrunner to succeed Thatcher and would be likely to maintain the major elements of recent Tory foreign policy. Pym, or any other Tory Prime Minister, probably would undertake another reappraisal of British defense policy and place more emphasis on conventional forces, while ending the Trident program. A new Conservative government would give first priority to recouping party fortunes, and would be inclined to take a less active role in international affairs.//

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//If Thatcher were to fall, another Conservative Prime Minister would be more cautious about becoming too closely identified with Washington. This would be especially true if lack of strong and public US support should be blamed for encouraging Argentine recalcitrance, or if the US should mediate a settlement favoring Buenos Aires.

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